

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

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UNITED STATES OF AMERICA,	)	
	)	CASE NO. CR23-179-RAJ
	)	
Plaintiff,	)	Seattle, Washington
	)	
v.	)	December 29, 2023
	)	10:01 a.m.
CHANGPENG ZHAO,	)	
	)	Telephone Conference
Defendant.	)	
	)	REDACTED

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VERBATIM REPORT OF PROCEEDINGS  
BEFORE THE HONORABLE RICHARD A. JONES  
UNITED STATES DISTRICT JUDGE

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**APPEARANCES:**

For the Plaintiff: JONAS BLOMBERG LERMAN  
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PROCEEDINGS

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THE COURT: Good morning.

Ms. Ericksen, please call the case.

THE CLERK: Thank you, Your Honor.

We are here in the matter of the United States versus  
Changpeng Zhao, cause number CR23-179, assigned to this Court.

If counsel, first for the government, could please make  
your appearance for the record.

MR. LERMAN: Good morning, Your Honor.

This is Jonas Lerman for the United States.

My colleague, Kevin Mosley, of the Money Laundering and  
Asset Recovery Section, is going to be presenting for the  
government this morning.

We also have on the line several other DOJ attorneys, but  
they will stay muted.

THE COURT: Thank you. Good morning.

THE CLERK: And counsel for defendant, please.

MR. BARTLETT: Good morning, Your Honor.

This is Mark Bartlett on behalf of Mr. Zhao. As with  
Mr. Mosley, I will be speaking on behalf of Mr. Zhao this  
morning, although co-counsel William Burck is also on the phone  
and might interject on some matters that he has specific  
knowledge.

I also want to put on the record that Mr. Zhao is also on

1 the call.

2 THE COURT: All right. Good morning to all of you.

3 MR. BARTLETT: Good morning, Your Honor.

4 THE COURT: And please confirm that we do have a court  
10:03:13 5 reporter present.

6 THE CLERK: Yes, Your Honor. Marci Chatelain, our  
7 court reporter, is on the line.

8 THE COURT: All right. Thank you.

9 I'll confirm for the benefit of the parties that there are  
10:03:24 10 only two documents that have been submitted on behalf of the  
11 issue presented to this Court, that's Docket Nos. 48 and 49.

12 The Court has not signed any order regarding the motion to  
13 seal, as I expect the parties will address that issue as well.

14 I'll also let you know that the public do not have access  
10:03:42 15 to this proceeding. The CARES Act no longer affords that  
16 benefit, that has expired, and the public doesn't have access,  
17 but the benefit of this hearing is for the parties now present.

18 So there's a motion, I believe, that's been presented by  
19 the defense. So, Mr. Bartlett, you may begin.

10:04:02 20 MR. BARTLETT: Thank you, Your Honor.

21 First, I want to thank the Court for scheduling this  
22 morning. We all appreciate on the defense side, this is a  
23 significant imposition on you, on your staff, and on the  
24 government attorneys at any time, but especially during this  
10:04:18 25 holiday week.

1 I want to especially note our appreciation for the  
2 assistance Ms. Ericksen has provided us throughout this week.

3 And I promise, we will keep our comments brief this  
4 morning.

10:04:29

5 We understand this is a public hearing, and we recognize  
6 the Court's prior admonition that we are reluctant to ever have  
7 things sealed in this district, unless there's a specific need.

10:04:50

8 I was very relieved to hear that there's a court reporter  
9 here today to take this down. And I wanted to let the Court  
10 know there are two discrete topics that we will be discussing  
11 this morning that we are going to ask that they be sealed. I do  
12 not believe the government will have a disagreement with our  
13 request, but I'll let Mr. Mosley speak on that.

10:05:09

14 The topics involve, first of all, kind of the core of this  
15 proceeding, which, discussion regarding [REDACTED]  
16 [REDACTED] surgery that is upcoming in the UAE. I think most people  
17 recognize that discussions of personal health matters should not  
18 be a matter of public record.

10:05:27

19 And the second issue that I also would ask that it be  
20 sealed would be [REDACTED]

21 [REDACTED]  
22 [REDACTED]

23 THE COURT: All right.

10:05:41

24 MR. BARTLETT: So I wanted -- I just wanted to put  
25 that out there before we started the hearing.

1 THE COURT: All right. Let me ask this question,  
2 Mr. Bartlett. As you know, the rule regarding the sealing of  
3 proceedings or submissions also considers redaction. Was  
4 redaction a consideration in the interest of providing  
5 transparency?

10:05:59

6 MR. BARTLETT: Exactly, Your Honor. And in fact, I  
7 should have clarified. My suggestion is that after this hearing  
8 is over that the parties would take a look at the hearing  
9 transcript that is being taken down by the court reporter and,  
10 working with the government, get an agreed redacted section.

10:06:15

11 And as I said, I believe the wide majority of this hearing  
12 will not need to be sealed, but only the specific discussions  
13 regarding [REDACTED]

14 THE COURT: Okay. Please proceed.

10:06:31

15 MR. BARTLETT: As we just discussed, the reason for  
16 this telephonic hearing is our request based on [REDACTED]  
17 [REDACTED] upcoming scheduled surgery in the UAE. That  
18 surgery is scheduled to occur exactly seven days from now,  
19 Friday, January 5th.

10:06:51

20 And I'm sure it comes as no surprise to anyone that  
21 Mr. Zhao does desperately want to be with his [REDACTED] family  
22 during this procedure.

23 As we've specified in our prior filing, this surgery is  
24 focused on addressing ongoing problems with [REDACTED]

10:07:08

25 [REDACTED] Surgery is scheduled

1 to be under a general anesthetic. [REDACTED]  
2 [REDACTED] It's to be performed  
3 by [REDACTED]  
4 [REDACTED] in Abu Dhabi.

10:07:28

5 [REDACTED]  
6 [REDACTED]  
7 [REDACTED]

10:07:46

8 And it's impossible for his family to pack up and travel to  
9 the U.S. for this period of time. And because of that, we are  
10 requesting that Mr. Zhao be allowed to return to the UAE for a  
11 short period to provide support for his family [REDACTED]

12 [REDACTED]

10:08:02

13 And I want to clarify that our request today is very  
14 limited. I know that with regard to our letter, there had been  
15 an expanded request for travel, but today we are asking for a  
16 very limited travel. Mr. Zhao wants to return for one week  
17 outside the U.S. to the UAE. He would leave January 4th, so he  
18 could arrive in Abu Dhabi before the surgery, and he would  
19 return in seven days.

10:08:24

20 As part of that, I would note that Mr. Zhao has already  
21 been in the United States almost six weeks. So he has been  
22 here, he has shown he's not doing anything, and this is just a  
23 very limited request that we're making to the Court, as narrow  
24 as we possibly could.

10:08:42

25 In addition to limiting the request, I also want to provide

1 the Court additional assurance that Mr. Zhao will return to the  
2 U.S. to be sentenced in this matter. We have already -- he has  
3 already posted a \$15 million cash bail that's being held in  
4 escrow at Davis Wright Tremaine. There are three sureties that  
10:09:03 5 have pledged properties also, assuring Mr. Zhao's return.

6 But in addition to that, Mr. Zhao is willing to pledge his  
7 equity interest in Binance U.S., which during the last round of  
8 fundraising two years ago, was valued at \$4.5 billion. We  
9 believe that would be the largest criminal bond ever posted in  
10:09:24 10 the United States. And it provides this Court assurance of how  
11 confident Mr. Zhao is that he's absolutely going to return.

12 It's not just the additional bail, however, that he is  
13 willing to put up to provide this Court confidence of his  
14 return, but there are also the other factors that I think are  
10:09:46 15 even more compelling. Mr. Zhao voluntarily came to the United  
16 States and pleaded guilty on November 21st. This was not some  
17 kind of rash decision. Mr. Zhao was aware he had been under  
18 criminal investigation by the Department of Justice since  
19 December 2020.

10:10:09 20 There had been virtually nonstop negotiations and  
21 discussions from that point forward, eventually culminating in  
22 his decision to come to the U.S. and resolve his criminal case  
23 with the Department of Justice; the case, which, of course  
24 you've seen, based on the failure to adequately apply  
10:10:32 25 anti-money-laundering controls with regard to his company

1     Binance.

2             I want to emphasize, this is not a situation such as Sam  
3     Bankman-Fried, where Mr. Fried was involved in fraud, stealing  
4     money from his clients, and very serious criminal charges that  
10:10:54 5     resulted in a trial. It couldn't be further from that. There's  
6     no allegations of fraud. There's no allegation that any person  
7     has lost money because of Binance's failure to implement  
8     adequate anti-money laundering.

9             Not to say it isn't a serious matter, we understand that,  
10:11:13 10     we fully understand that, but he has come and he's accepted  
11     responsibility for that. And he did more than just resolve the  
12     Department of Justice investigation, he also chose to enter into  
13     negotiations that involve and resolve three other very  
14     significant federal government investigations, investigations  
10:11:33 15     brought by FinCEN, the CFTC, and OFAC. And the result of all of  
16     those investigations, Mr. Zhao has not only pled guilty, and his  
17     company has pled guilty, they have agreed to pay fines, in total  
18     slightly over \$4.3 billion. [REDACTED]

19     [REDACTED]  
10:12:03 20     [REDACTED]  
21     [REDACTED]  
22     [REDACTED]  
23     [REDACTED]  
24     [REDACTED]  
10:12:20 25     [REDACTED]



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10:14:07

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[REDACTED]

In addition, the Court should consider that Mr. Zhao is a very high-profile person. He is known literally throughout the world. He is -- has a unique look, if you've ever seen a picture of him. That picture has been all over the press, both here in the United States and throughout the world. There literally is no place that he could run where he would not be known.

I'm sure, based on the Court's prior order, that it is a concern that Mr. Zhao lives in the UAE, which is a country that does not have an extradition treaty with the United States, which would cause normally concern that anyone will suddenly return there if they don't have to. He's a citizen of the UAE. And I want to explain to the Court that Mr. Zhao went to the UAE because it is one of the top if not the top country in the world committed to building a thriving crypto economy. And he went there several years ago.

He did not request the UAE government to provide him citizenship, they chose to do so without him ever asking, as an honor bestowed upon him because, as I indicated, they're fully supportive of the cryptocurrency, growth of that enterprise. And they're committed to trying to build that in the UAE as part of their financial structure. It's not even possible for a noncitizen to apply for citizenship in the UAE.

The final things, I don't want to keep the Court's time too

1 much, but the final things I will note is no term of  
2 imprisonment is an easy situation for anyone to face, but  
3 Mr. Zhao is facing a Zone C guideline sentence of either what we  
4 believe is 10 to 16 months, or what the government is rec- --  
10:14:28 5 has suggested is 12 to 18 months. It's not a minor sentence,  
6 Your Honor, but it certainly is not a 10- or 15-year sentence  
7 such as Mr. Sam Bankman-Fried is facing or the Court is often  
8 looking at with regard to other defendants that appear before  
9 you on a monthly basis.

10:14:48 10 I will end this way. Mr. Zhao has led an exemplary life up  
11 to this point. We understand this is an unusual request to make  
12 given all of the circumstances here, but these are unusual  
13 circumstances, and we believe looking at the totality of all the  
14 information in front of the Court, you can confidently allow him  
10:15:13 15 to return to the UAE for one week, knowing he will come back.  
16 We have confidence that you will treat him fairly at sentencing.  
17 We have confidence in the U.S. justice system.

18 Mr. Zhao has asked if he could address you directly, and I  
19 told him I thought you would welcome the opportunity.

10:15:34 20 THE COURT: Have you completed your remarks,  
21 Mr. Bartlett?

22 MR. BARTLETT: Yes.

23 THE COURT: If Mr. Zhao would like to make a  
24 statement, this is his opportunity to do so.

10:15:44 25 MR. BARTLETT: I think he would.

1 Go ahead, Mr. Zhao.

2 THE COURT: Good morning, sir.

3 THE DEFENDANT: Good morning, Your Honor. Thank you,  
4 Your Honor.

10:15:52 5 Well, first of all, my remarks are very quick, I think it  
6 will take about two minutes.

7 First of all, I would like to thank you, Your Honor, for  
8 making the time to hear my request on this urgent basis over the  
9 holiday. And I would also like to thank everyone else on this  
10:16:07 10 call for -- to be so grateful [sic] with your time.

11 I also want to thank both the government and also Your  
12 Honor for giving me such a high degree of freedom in the U.S.  
13 during the past 40-something days. I fully appreciate that.

14 I also appreciate the fact that Your Honor has allowed my  
10:16:23 15 family to visit me in the U.S.; however, [REDACTED]  
16 [REDACTED] it's, unfortunately, not possible, as  
17 Mr. Bartlett has mentioned.

18 My request is simple, I would -- I assure you, Your Honor,  
19 if you grant my request, I will come back to the U.S. and finish  
10:16:43 20 the court proceedings and continue to take full responsibility  
21 for my past conduct.

22 Lastly, I just want to explain a little bit of who I am.  
23 Even though I made mistakes in the past, I do view myself as a  
24 person of integrity. I hold true to my word both in business  
10:17:01 25 and in life. When I make -- when I make bad decisions, I take

1 responsibility and fix them. I don't run away from problems in  
2 life, that's not how I lead my businesses, and that's not how I  
3 lead my teams, so that's not just who I am. So I would  
4 definitely not be the person running away from the U.S.  
10:17:19 5 government or its justice system.

6 I came here to take responsibility. I want to move past  
7 this chapter in my life. And I will absolutely return for  
8 sentencing if you allow me to go home briefly, [REDACTED]  
9 [REDACTED] So I will come back  
10:17:35 10 on the date you determine is appropriate.

11 So thank you so much, Your Honor, for your consideration,  
12 and I appreciate and respect any decision you make.

13 Thank you so much.

14 THE COURT: Thank you, sir.

10:17:46 15 If that completes the defense argument to the Court,  
16 Mr. Bartlett?

17 MR. BARTLETT: It does, Your Honor.

18 THE COURT: I'll hear from Mr. Mosley at this time.  
19 Counsel, please proceed.

10:17:57 20 MR. MOSLEY: Good morning, Your Honor.

21 Kevin Mosley for the Department of Justice.

22 First, I'd like to address the Court's question about the  
23 -- about sealing. The United States' position is that -- and I  
24 think this is consistent with what you discussed in your  
10:18:16 25 colloquy with Mr. Bartlett, which is that we don't believe that

1 this hearing should be entirely sealed. We would be amenable to  
2 appropriate redactions as it relates to the [REDACTED]

3 [REDACTED]

4 [REDACTED]

10:18:41

5 [REDACTED] And we can work with  
6 defense counsel to come up with appropriate redactions if that  
7 -- due to the Court, Your Honor.

8 (Pause.)

9 (Cross talking.)

10:18:56

10 THE COURT: (Inaudible.)

11 MR. MOSLEY: I'm sorry. Okay. Sorry, it's hard to do  
12 this on the phone without seeing reactions.

13 As to the defense's arguments, other than [REDACTED]

14 [REDACTED] every single argument and every

10:19:18

15 fact raised in the defense's argument was raised before Judge  
16 Tsuchida and before this Court. So essentially where we are is  
17 that this is essentially a motion for reconsideration. United  
18 States opposes this requested release. And because this is  
19 essentially a motion for reconsideration of the Court's ruling,  
20 my understanding of the local rules is that such motions are  
21 disfavored and would ordinarily be denied, unless there's a  
22 showing of manifest error in the prior ruling or a showing of  
23 new facts or legal authority which could not have been brought  
24 to the Court's attention earlier.

10:19:43

10:19:58

25 Because these arguments are the exact same argument that

1 have been raised before, Mr. Zhao and the defense have shown  
2 neither manifest error or any material new fact that would  
3 justify the reconsideration of the Court's order.

4 Moreover, none of this -- none of the arguments that the  
10:20:15 5 defense raises changes the analysis that Judge Tsuchida and this  
6 Court already reviewed, and the Court ruled the way it ruled.

7 So, you know, as we mentioned earlier, detention is default  
8 for convicted defendants.

9 The government took into account all of these factors and  
10:20:34 10 recommended not that the Court detain Mr. Zhao, but that he --  
11 but the Court require him to stay in the United States to  
12 mitigate the flight risk.

13 And in particular, we were concerned that Mr. Zhao is  
14 facing significant jail time. I know Mr. Bartlett referred to  
10:20:50 15 the -- what the sentencing guidelines might be in this case, but  
16 we note for the record that the max for this offense is up to 10  
17 years.

18 Mr. Zhao has significant resources. And as Mr. Bartlett  
19 agreed and noted, the UAE does not extradite to the United  
10:21:09 20 States.

21 We previously highlighted Mr. Zhao's lack of connection to  
22 the United States, including that his family and his wealth,  
23 including much of the bond package, are outside of the United  
24 States. And having considered the government's arguments and  
10:21:27 25 the defense's arguments, the Court agreed with the government

1 and ordered Mr. Zhao to remain in the United States through  
2 sentencing.

3 Now, before I go on, I do want to say that the United  
4 States is sympathetic to the issues raised by the defense. We  
10:21:44 5 -- everybody was sympathetic [REDACTED]  
6 [REDACTED] so I --  
7 but notwithstanding all of that, Your Honor, these issues do not  
8 warrant reconsideration of the Court's order.

9 As we understand it, this is a fairly routine surgery, and  
10:22:06 10 that it was originally scheduled for December 19th. And as far  
11 as we understand the facts, Mr. Zhao was not planning on  
12 attending that surgery when it was on December 19th.

13 [REDACTED]  
14 [REDACTED]

10:22:27 15 And, you know, not to put too fine a point on it, Your  
16 Honor, this is a situation that many defendants face, having to  
17 miss out on certain family events after a conviction.

18 As to the higher bond package that the defense offered,  
19 that does not mitigate the risks or concerns that we have  
10:22:47 20 regarding flight risk. Even with the addition of the Binance  
21 U.S. shares, which -- whatever the previous valuation is, it's  
22 unclear what the actual worth of those shares is today, that  
23 larger bail package is still a fraction of Mr. Zhao's overall  
24 wealth, which if you believe the crypto press, only increased  
10:23:12 25 over the last year.

1 With that, Your Honor, I think we will -- oh, one more  
2 thing I'd like to address. I know counsel had mentioned having  
3 people hold onto Mr. Zhao's passport while he travels, but  
4 obviously that does not solve, in our view, the flight-risk  
10:23:35 5 problem. You know, defense counsel can't force Mr. Zhao to  
6 return to the United States after the surgery, then the U.S.  
7 would lack any recourse if Mr. Zhao was to decide to remain in  
8 the UAE and skip sentencing. And we are -- we don't know  
9 whether or not he could even potentially just get another UAE  
10:23:53 10 passport while he's there, given his status with the folks in  
11 the UAE.

12 And I would like to close by just saying, again, this is  
13 essentially a motion for reconsideration and that there has been  
14 no new facts that would justify changing the Court's original  
10:24:10 15 order.

16 With that, I'll conclude.

17 THE COURT: All right. Does that complete the  
18 government's argument, Counsel?

19 MR. MOSLEY: Yes, Your Honor.

10:24:18 20 THE COURT: All right. Thank you.

21 Mr. Bartlett, any rebuttal?

22 MR. BARTLETT: Just very briefly, Your Honor.

23 If the Court views this as a motion for reconsideration, I  
24 would point out that obviously the core of this motion was the  
10:24:34 25 surgery, which is a new fact which was not before the Court



1 previously.

2 In addition, I think that there were issues that were not  
3 fully developed before the Court previously, most especially  
4 with regard to the additional pledging of the Binance U.S.  
10:24:54 5 position that he holds in that company, and also just the  
6 additional facts that we have added [REDACTED]

7 [REDACTED]

8 THE COURT: That completes your remarks, Mr. Bartlett?

9 MR. BARTLETT: It does, Your Honor.

10:25:13

10 THE COURT: All right.

11 All right. Thank you.

12 The Court has given the parties the opportunity to make  
13 your statements to the Court.

14 And first, I would like to restate that I believe that  
10:25:30 15 there's sympathies here for Mr. Zhao. [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

10:25:48

20 [REDACTED]

21 [REDACTED]

22 The Court appreciates the fact that this is a surgery.  
23 There has been no representations of any dangerous conditions  
24 that may affect [REDACTED] The Court has reviewed the  
10:26:09 25 documentation submitted. There's nothing that would indicate

1 that there is anything unusual or dangerous or of a complicated  
2 nature. [REDACTED]

3 [REDACTED] And again, that is a very common procedure.

4 So the only new fact is, yes, a procedure, but it's not the  
5 type of procedure, nor the type of danger or circumstances that  
6 justify or warrant the need for a change of circumstances.

7 Now, the defense indicates that this fits into the category  
8 of being a new fact. It is a new fact that's different from  
9 what the Court had, but to be honest, Counsel, the Court has  
10 listened to all the arguments made by Mr. Bartlett, and whether  
11 you wish to treat it as a motion for reconsideration or  
12 restating the exact same arguments, we come to the same  
13 conclusion, these are the exact same arguments but for the  
14 modification with the surgery that were presented to this Court  
15 in the Court's prior ruling.

16 The Court doesn't believe that there's anything so unusual  
17 about the circumstances of what's been presented to this Court  
18 that would demonstrate that these facts are significantly new  
19 facts, nor has counsel provided any legal authority that would  
20 justify a modification of the Court's prior order, nor is there  
21 any statement or argument that would support that there was  
22 manifest error made by the Court in the prior determination.

23 The Court doesn't believe that the higher bond amount would  
24 make a significant difference in the Court's determination. The  
25 Court is well aware from prior pleadings and submissions that

1 the defendant has enormous and mass wealth. It's not a question  
2 of wealth being able to put you in a position to acquire what  
3 you desire, that's not going to be the determination today.

4 The Court will deny the request. The Court will continue  
10:28:09 5 to adopt the rationale and reasoning as previously provided to  
6 the parties in a written order. That order remains in full  
7 force and effect.

8 The Court will direct the parties in an expedited fashion  
9 to redact the transcript of today's proceedings. And again, be  
10:28:34 10 consistent with the expectations of the rule and transparency  
11 for the benefit of the public that you only redact what's really  
12 necessary or critical for protection of the privacy of the  
13 proceeding and of [REDACTED]

14 I don't believe that there's anything else that the Court  
10:28:55 15 needs to address.

16 And, Counsel, the Court won't sign the motion to seal as  
17 it's presently fashioned. I'll give you the opportunity to  
18 revise that document in conjunction with counsel for the  
19 government so it fits in accord with the Court's expectations of  
10:29:12 20 redaction and public disclosure with the limitations authorized  
21 by this Court.

22 Is there any further clarification needed for the  
23 government, counsel for the defense?

24 MR. BARTLETT: No, Your Honor.

10:29:24 25 THE COURT: Counsel for the government?

1 MR. MOSLEY: No, Your Honor.

2 THE COURT: If there's nothing further, this  
3 proceeding is terminated.

4 Thank you. We'll be in recess.

5 (Court adjourned 10:29 a.m.)

6 C E R T I F I C A T E

7 I certify that the foregoing is a correct transcript from  
8 the record of proceedings in the above-entitled matter.

9 /s/ Marci E.C. Chatelain

10 Marci E.C. Chatelain, CCR, RPR, RMR, CRR  
11 Federal Court Reporter  
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